Waiting For the Good Times Return

Canada’s Construction Activity Varies Among the Provinces, But There’s Work if a Contractor Hunts Hard Enough

Not without good reason has Canada’s new Conservative government made the economy its number one priority.

Furthermore, as Prime Minister Brian Mulroney gathered in the reins of power, he picked up an item of hope here and there.

Even as most of the nation’s provinces find themselves still reeling from the Great Recession of 1982—particularly Alberta where oil has temporarily lost its shine—Ontario, the economic engine of Canada, shows signs of renewed vigor and confidence.

There, the growth rate is hitting a solid 5 percent this year with promises of greater activity as some of the booming U.S. economy contributes a spillover effect.

“I wouldn’t go so far as to say we’re now booming,” reports Robert McKean, manager of the Interior Systems Contractors Association of Ontario, “but we’re a far cry from a recession situation.

“The new work is coming out of the ground right now, and there seems to be plenty on the drawing board. I look for continued improvement through the balance of 1985—and hope for a true take off in the first and second quarters of 1986.”

McKean’s assessment is completely consistent with the public thinking of Ontario’s economic community. They had felt that many segments of the private sector weren’t equally sharing in the recovery, citing the construction, engineering and face industries. Now, they are becoming a bit more optimistic that the recovery is for real.

Why such lingering doubt?

“For one hundred years,” explains Finance Minister Michael Wilson, “Canada has lived on its resources. For the past 10 years it has lived on credit. Now it must live on its wits and intelligence.”

To someone like McKean, who has watched Ontario’s wall and ceiling industry struggle to stay alive through a mean, long recession, any improvement represents a quantum leap. Now that construction is starting up again in earnest and contractors are landing sizeable jobs, optimism pervades the contractor community.

“So far as the union and non-union controversy,” Bob reports, “there’s been no fundamental change in the Toronto area. This is still essentially a union market although there have been some inroads by non-union people.

“What makes the shift so difficult to measure here is that no one can get an accurate, reliable count. So many...
union craftsmen have put their cards in their pocket and gone to work for non-union contractors in order to put food on the table. When market conditions improve — as they are now — the craftsmen will be back firmly in the union contractor’s camp.

“I suppose you might say that non-union is making a small penetration into the Toronto market,” McKean said, “but if union and management recognize the need to remain competitive I believe that the market here will remain solidly union.”

Huge Settlements Hurt . . .

If one turning point could be found in the tide of union construction affairs, Canadian economists feel it would have to be the 1982 settlement of nearly $4.50 an hour. That was the high water mark in union influence, because the construction market deteriorated swiftly following that.

Even Ontario contractors admit that this one broke the bank. “That increase, coupled with the advance of the recession, really hurt the industry—and we’re still trying to recover from it,” a Canadian official said. “Since then union leadership has slowed down the advance—none of us really had much choice—and the competitive situation is gaining equality.”

Alberta Recovering . . .

Farther to the West-in the Province of Alberta-the shine is off oil and the major cities there, Edmonton and Calgary, are suffering the economic consequences. Construction is down, unemployment is up, and only firm optimism on the part of wall and ceiling contractors view 1986 as a return to something approaching normal.

In Edmonton, Al Riehl, president of Riehl Brothers Plastering, Ltd., and president of the Edmonton Drywall, Lath and Plaster Association, pointed out, “A lot of contractors and tradesmen will never be in construction again... they’ll be a complete loss to the whole industry here.

“This is oil sands country primarily and when oil went bust this city went down with it. We’re still down and the Provincial theme around here is “Stay alive in ’85.”

“What caused the problem here? The settlement in ’82 hit us too, and when the last of four increases—the $1.80 hike—hit, the bottom dropped out of oil at the same time. The non-union movement just smashed the union segment to pieces. Five years ago, it was 75% union and 25% non-union; today those figures have simply reversed,” Riehl said.

Riehl’s assessment was confirmed by Jerry Wunderlich, of Alpine Drywall and Plastering. “Since the recession began,” Jerry said, “just about every general contractor in the area formed a non-union company with the result that the union has fallen by the wayside.

“There simply isn’t anyone to bargain with here. There’s no agreement: that ran out. And we haven’t negotiated a new one. Like a lot of other areas in the world, we in Alberta expected the oil boom to last longer than it did. No one foresaw the bottom dropping out the way it did,” Wunderlich explained.

The two Edmonton contractors see
gradual improvement for the balance of this year, with things perhaps turning for the better in 1986. But any substantial improvement will be a matter for the remainder of the 1980s, both feel.

“This area has been devastated economically so far as construction is concerned,” Riehl said. “No one is doing all that well right now. Only the fact that the city also has meat packing, lumber, ranching, and agriculture keeps the economy moving.

“The substantial contractor who moved quickly when the economic turn came will probably make it,” Wunderlich said, “but the way conditions are now I don’t feel there’ll be enough work for the marginal contractor to make it.”

Added Riehl, “In Edmonton, I don’t think we’ve hit the real bottom yet from a construction standpoint. Remember, the prices we’re getting are rock bottom and our costs and equipment prices are increasing all the time.”

Farther to the south in Calgary, recession headaches are still plaguing contractors. But they see an end to the doldrums—and the hope that the Winter Olympics in 1988 will reju-
venate some construction thinking.

“Business is frankly terrible here in Calgary,” says Brian Erickson, President of Thiele Management Services, an old line plastering and mall firm. Erickson is also president this year of the Calgary Drywall Lath and Plaster Association.

“You might say that we’re in a direct parallel with the Houston, Texas, condition,” Erickson explained. “During 1978 to 1981 we had all the business we could handle and then some extra. Abruptly, the oil boom ended and we’re just now bottoming out.”

“It’s highly unlikely that construction will return as it was in those boom years,” said Garry Mix, of Westroc Industries, a manufacturer of gypsum board with offices in Montreal, Toronto, Winnipeg, Calgary and Vancouver.

“Most contractors and suppliers are, let’s say, ‘hesitantly optimistic,’ although jobs are starting to break out now and the resurgence is getting underway. We simply overbuilt—the vacancy rate is down today to 18% from the high of 25%-30%.”

And the Winter Olympics? Aren’t they exerting some upward push on construction levels?

“You have to keep in mind that there is very little finishing work involved in the Olympic facilities,” said W.M. “Will” Sawyer, manager of the Calgary wall and ceiling organization and also assistant manager for the Calgary Construction Association.

“The major Olympic projects right now include the Luge run for sleds that was estimated at $10.5 million and came in for $6.5 million. The Calgary Saddledome for hockey was finished in 1982 at a cost of $125 million. There’ll be an Olympic oval at the University of Calgary with two ovals for speed skating.

“But again,” Sawyer said, “these don’t have a lot to do with drywall or lath and plastering work. But the new National Energy Program is expected to create some 100,000 jobs in the next 3-5 years and this should put on some pressure for building.”

For the 162 contractors in the Calgary market, the pickings have been rather slim. The hospital market has remained strong with two major facilities constructed by the provincial government.

and then, possibly, a good growth year in 1987. It’s all a ways away yet?

**Vancouver World Fair . . .**

The economic blues also struck Vancouver in British Columbia, but now construction is getting underway in earnest in preparation for the World Fair in 1986. In anticipation of that huge Vancouver event, the construction economy is beginning to boom and the fair is expected to carry the city and the Province throughout all of next year.

“The work in Vancouver right now is spotty,” reports John N. Reeve, immediate past president of the Association of Wall and Ceiling Contractors of British Columbia, “although in general it is picking up steam.”

“Most of the major contracts for Expo have been let and this work must be completed by November of this year so the individual exhibitors can move in and finish up for themselves.”

Some wall and ceiling work is ex-
pected to come from the finish up, but not in substantial amounts. The other big project in Vancouver is the Advanced Light Rapid Transit (ALRT) which will bind Vancouver and its suburbs. The $1 billion project is now complete and undergoing tests in preparation for its opening next January 1.

“So far as union and non-union activities,” Reeve said, “the balance is about 50-50. There is still a strong core of union contractors holding in the city with most of the non-union gain coming in the surrounding areas.”

The current president of the Association of Wall and Ceiling Contractors of British Columbia, Peter J. Gallagher, of Gallagher Bros. Contractors, Ltd., commented on the strength of Expo construction.

“Expo generated considerable excitement in the Vancouver area for the past two years,” he said, “but this is slowing down now with only a few pavilions left. Most of the work outside the Expo sphere of influence involves hotels, convention center—the structure will serve the influx of people in 1986.

“This work is still underway,” he pointed out, and several more major hotels will be built for Expo. As for office construction, there was a glut in the past two years and this work, except for a major job due to go up, has slowed down.”

Gallagher drew a sharp distinction between the Vancouver market and the province itself. “There’s been plenty of unemployment throughout the province during the past two years, but Vancouver downtown has maintained a good pace, due largely to Expo.”

While many economists anticipate a strong post-Expo construction market, Gallagher is included to be a bit more conservative. “I’m not at all certain that construction will benefit from this post-fair boom so much as the retail and service industries. The only way British Columbia will step up its construction,” he concluded, “is when the government releases some money to go ahead with the shelved hospital expansions.”

As for the non-union vs. union challenge, most of the work in Vancouver is going to non-union contractors. Despite the improvement in the city’s business, few contractors see the union element gaining much of a foothold in the foreseeable future.

With business returning to levels of a few years ago, some of the manufacturers are making strategic moves. In a step to remain competitive with other gypsum wallboard suppliers in Vancouver, Westroc Industries announced it is closing its wallboard manufacturing plant and will provide the market from its Calgary plant.

Other wallboard manufacturers in Vancouver are Domtar and Genstar

Continued on page 21
Edmonton’s world famous West End Mall—the largest under-cover shopping mall in the world—is one of the few construction activity centers currently.

who will continue to operate their plants. The Westroc Vancouver plant was originally built in 1960 and had reached a stage where it apparently needed an extensive overhaul. This cost, aggravated by the freight costs for shipping gypsum rock from its Windermere mine, made continued operation in Vancouver uneconomical, company officials explained.

Other Provinces Improving . . .

Elsewhere in Canada, business is enjoying an increasing resurgence. In Saskatchewan, Canada’s breadbasket, economic activity has remained strong, despite a severe 1984 summer drought. Farming provides the province with 18 percent of its gross domestic product, the largest economic item in Saskatchewan; so the 20 downturn in farm production hit the province particularly hard.

Because 1985 has special significance to the province—it is the 80th anniversary of Saskatchewan’s entry into the Confederation—the business community views the balance of 1985 with considerable optimism.

According to Bob Andrews, the provincial Minister of Finance, about the only thing that Saskatchewan needs in 1985 is a good crop. “A recovery in Saskatchewan led by a normal crop would bring us back to a strong positive growth, as strong or stronger than any place else,” he said.

With its huge industrial base and manufacturing diversification, the eastern provinces like Quebec are now on the economic mend.

All in all, Canadian construction is emerging slowly from the recession depths. The improvement is spotty, non-unionism continues to grow, but the turning point should come toward the end of this year—and then a period of extensive growth should follow.